

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6850**  
**BILL NUMBER: SB 422**

**NOTE PREPARED:** Feb 2, 2014  
**BILL AMENDED:** Jan 30, 2014

**SUBJECT:** Abandoned housing.

**FIRST AUTHOR:** Sen. Merritt  
**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Tax Sale Blight Registry*: This bill requires the Attorney General to establish and maintain the Tax Sale Blight Registry of all persons ineligible to participate in the tax sale. The bill prohibits foreign business associations that have not registered with the Secretary of State from participating in the tax sale.

*Vacant/Abandoned Property*: The bill provides for a 120 day pretax sale period of redemption for real property certified as vacant or abandoned. It provides that properties certified as vacant or abandoned may be sold outright at the tax sale.

The bill requires a county, city, or town to obtain a judgment that a parcel of real property is vacant or abandoned before a certification can be made to the county auditor for tax sales purposes. It provides that the local unit certifying real property as vacant or abandoned is liable for any damages if the property is later determined to not be vacant or abandoned.

*Interest Rate*: This bill reduces the interest rate for payments in excess of a minimum bid from 10% to 5%.

*Tax Sale Deed*: The bill provides that the notice to a record owner of property must occur six months, instead of nine months, after the date of the tax sale. The bill reduces the period from six to three months when a tax sale purchaser may petition the court for a judgment directing the county auditor to issue a tax deed if the real property is not redeemed from the sale.

This bill requires, for tax deeds executed for real property sold at a tax sale, that the county auditor submit the tax deed directly to the county recorder for recording and charge the tax sale purchaser the appropriate

recording fee. The bill permits the county auditor to be the only signer of a sales disclosure form when a tax sale purchaser refuses to sign the form.

*Unsafe Building:* This bill adds the term "blighted" in determining whether a building is an unsafe building.

*Title Search:* The bill requires persons who purchase a property or certificate at a tax sale to reimburse the county for the costs of a title search.

*Paddle Fee:* The bill permits a county to establish a paddle fee for persons who attend the tax sale.

*Sheriff's Sale:* This bill requires the sheriff to notify the owner of a foreclosed property being sold at auction if the sale is canceled.

**Effective Date:** July 1, 2014.

**Explanation of State Expenditures:** *Tax Sale Blight Registry:* Beginning July 1, 2015, under this bill, the Homeowner Protection Unit of the Attorney General's office would have to establish and maintain the Tax Sale Blight Registry. The office would incur one-time costs to establish the registry and then would have ongoing costs to maintain it. This provision's requirements represent an additional workload on the agency outside of the agency's routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this provision will depend on legislative and administrative actions.

The Attorney General's Office is mostly funded from the state General Fund.

The registry would include entities who are prohibited from purchasing certain properties at tax sale. Prohibited entities would include (1) a foreign business association (out of state or out of country) that is not registered with the Secretary of State, (2) a foreign business association that is registered with the Secretary of State, but is not in good standing, and (3) agents of those entities.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) *Vacant/Abandoned Property:* The current redemption period (120 days after the sale) for sales of vacant or abandoned properties would be eliminated under this bill, so the sale would immediately be final and the county auditor would issue a deed to the buyer. There would, however, be a 120 day pre-tax sale redemption period.

This provision could encourage more bidders to bid at tax sale and reduce the number of speculators that bid. Some bidders buy tax sale properties hoping that the property will be redeemed and a premium paid to the bidder. Sometimes, when a property is not redeemed, the buyer abandons it and never applies for a deed. This provision would eliminate the lack of title when vacant or abandoned properties are sold at tax sale.

(Revised) *Unsafe Building:* Under current law, one of the definitions of an unsafe building is a vacant building that is not maintained in a manner that would allow human habitation, occupancy, or use under a

statute or ordinance. Under this provision, the building could also be blighted instead of vacant. This provision would permit enforcement authorities to issue orders requiring action for these buildings.

*Title Search:* This bill would add the cost of a title search to the minimum bid amount for a tax sale property. County revenues could increase by an undetermined amount.

*Paddle Fee:* The bill would permit counties to establish a paddle fee to be paid by all bidders in a tax sale. The maximum fee would be

(A) \$25 for a bidder who attends no more than one tax sale and purchases no more than one property; or

(B) \$100 for an unlimited number of tax sales in the county in a year and an unlimited number of purchases.

The revenue from the paddle fee could only be used to defray tax sale costs or to reduce the number of vacant or abandoned homes. The amount of additional county revenue under this provision depends on the number of counties that adopt a fee and the fee amounts that are adopted.

*Sheriff's Sale:* If a sheriff's sale is cancelled, this bill would require the sheriff to provide written notice to the property owners. The sheriff would charge a fee for service of \$10 for the first owner and \$3 for each additional owner. The fee would be collected as other costs of processing and would be deposited into the county general fund for appropriation to the sheriff's department. The amount of additional county revenue under this provision is undetermined.

**State Agencies Affected:** Office of the Attorney General.

**Local Agencies Affected:** Counties; County auditors, treasurers, recorders, and sheriffs.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.